

OFFICE OF THE INSPECTOR GENERAL

FY 1999 ANNUAL PROGRAM PERFORMANCE REPORT

USDA's Office of the Inspector General (OIG) was the first civilian OIG within the Federal Government, established in 1962. USDA/OIG currently operates under the authority established with the enactment of the Inspector General Act of 1978 (P.L. 95-452) and its 1988 amendment.

OIG's mission is to conduct and supervise audits and investigations to prevent and detect fraud and to improve the effectiveness of USDA programs by recommending changes that will increase efficiency and reduce wasteful and fraudulent activities.

In fiscal year (FY) 1999, OIG issued 146 audit reports and 515 investigative reports. We reached an agreement with agency management on corrective actions to be taken on 138 audit reports, which depicted findings with questioned and unsupported costs and loans that totaled \$262.5 million. We also reported \$114.1 million in funds that could be put to better use. Investigations' casework resulted in 502 indictments, 559 convictions, and total monetary results from fines, penalties, restitutions, and recoveries of \$68.2 million.

More information regarding OIG's operation can be found in the OIG Strategic and Annual Performance Plans. Only Federal employees were involved in the preparation of this report.

The following table provides summary information on OIG's achievement of FY 1999 Performance Goals.

OIG PERFORMANCE SUMMARY			
Strategic Goal/ Management Initiatives	FY 1999 Performance Goals	Performance	
		Target	Actual
Goal 1: Promote economy, efficiency, and effectiveness in the administration of USDA programs and operations.	Audit and investigate the most significant programs or areas identified in OIG's planning process.		
	Annually assess the effectiveness of the planning process by retroactively comparing what was planned against work that was initiated <u>and completed</u> during the year.	70%	74%
	Assess the percentage of audits in the OIG Annual Plan for which work was initiated <u>but not necessarily completed</u> during the year.	80%	88%
	Promote economy, efficiency, and effectiveness of USDA programs by making recommendations to recover costs, put funds to better use, and avoid costs.		
	Measure monetary results of audits and investigations to verify that minimum target levels of questioned or unsupported costs and loans, funds to be put to better use, recoveries, and/or cost avoidances (dollars in millions) are achieved or exceeded.	\$300	\$445

OIG PERFORMANCE SUMMARY			
Strategic Goal/ Management Initiatives	FY 1999 Performance Goals	Performance	
		Target	Actual
Goal 2: Promote USDA's conformity with the applicable principles, standards, and related requirements by fostering improvements in financial systems and financial reporting, which will enhance the Department's fulfillment of its fiduciary responsibilities.	Foster improvements in financial systems and financial reporting by timely issuing financial statement audits. Percentage of financial statement audits issued by March 1.	42%	100%
	Reduce noncompliance with the applicable principles, standards, and related requirements in the Department's financial systems and financial reporting. Monetary results of financial statement adjustments (dollars in billions).	\$7.50	\$10.54
	Number of recommendations to strengthen financial controls and foster compliance with laws and regulations.	25	49
Goal 3: Promote program integrity by detecting fraud, waste, and abuse in the Department to provide assurance that legal and regulatory requirements are met.	Investigation of fraud within USDA programs.		
	Number of fraud reports of investigation issued.	1,000	515
	Percentage of total reported fraud investigations resulting in criminal prosecutions.	44%	42%
	Percentage of total reported fraud investigations resulting in fines, penalties, recoveries, restitutions, cost avoidances, and other payments.	55%	56%
	Number of employee misconduct reports of investigation issued.	85	40
	Percentage of total reported employee misconduct investigations resulting in corrective or disciplinary actions.	55%	100%

Goal 1: Promote economy, efficiency, and effectiveness in the administration of USDA programs and operations.

Objectives: (1) Identify the most significant programs or areas for audit and investigation and allocate resources accordingly and (2) devote audit and investigative resources in the areas identified.

Key Performance Goals

<p><u>Audit and investigate the most significant programs or areas identified in OIG's planning process.</u></p> <p>Annually assess the effectiveness of the planning process by retroactively comparing what was planned against work that was initiated and completed during the year.</p> <p>Target: 70%</p> <p>Actual: 74%</p> <p>Assess the percentage of audits in the OIG Annual Plan for which work was initiated, but not necessarily completed, during the year.</p> <p>Target: 80%</p> <p>Actual: 88%</p>
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Promote economy, efficiency, and effectiveness of USDA programs by recovering costs, putting funds to better use, and avoiding costs.

Measure monetary results of audit and investigations to verify that minimum target levels of questioned or unsupported costs and loans, funds to be put to better use, recoveries, and/or cost avoidances (dollars in millions) are achieved or exceeded.

Target: \$300

Actual: \$445

1999 Data: The 1999 data is final and reliable. The information on the number of assignments started and completed and on those that are started but not necessarily completed during the fiscal year is derived from our Consolidated Assignments, Personnel Tracking, and Administrative Information Network (CAPTAIN). Reports to accumulate the information for these performance measures have been developed and tested within CAPTAIN to ensure their accuracy. The information on the dollar impact of OIG's work is also derived from this system and reported in OIG's Semiannual Report to Congress.

Analysis of Results: OIG met and exceeded all of the targets set for the above performance indicators. OIG selected the first performance indicator on the number of audits in our Annual Plan that were started and completed to demonstrate the adequacy of OIG's planning process in assessing the needs of the Department, Congress, and the public. While OIG has to remain flexible in order to address unexpected events that may require the use of its resources, we must also be able to anticipate where our services can provide the maximum benefit and plan to allocate resources accordingly. In FY 1999, we exceeded our target of completing 70 percent of all assignments included in our OIG Annual Plan. We believe this demonstrates that OIG has a good data collection process for determining where to apply our resources and has exercised good management control in allocating resources. Our target was set at 70 percent in recognition of the fact that unpredictable events requiring the use of our resources make it impossible to complete 100 percent of the work included in our Annual Plan. Work in the Plan may also be started and suspended or terminated if it is determined that a potential assignment will not produce anticipated beneficial results or is superseded by higher priorities. Our 74-percent completion level demonstrates that OIG exercised effective planning strategies in FY 1999.

The second performance indicator within this strategic goal is directed to the percentage of assignments initiated in FY 1999, which, while still active, have not been completed during the fiscal year, as well as those that have been started and completed. This measure is impacted by the utilization of our resources, to some extent, to complete assignments stemming from events that cannot be anticipated. We had projected a target of initiating work on at least 80 percent of the planned assignments and exceeded that target by initiating work on 88 percent of the assignments. The measure further demonstrates the soundness of OIG's planning, scheduling, and initiating reviews of essential areas. This comprehensive level of coverage makes OIG a valuable information resource to the Secretary, Congress, and the public.

The third performance indicator assesses the beneficial monetary impact OIG has on the Department. This goal was selected in recognition of the fact that a primary residual of OIG's analyses of economic events generated cost savings, recoveries, or prospective monetary benefits. We also performed legislatively mandated work, such as financial statement audits, that does not yield a recoverable savings but is nevertheless vital to the Department. Our target for FY 1999 was to identify at least \$300 million in costs, which could be recovered, put to better use, or avoided. We have significantly exceeded this target by identifying a total of \$445 million in such costs.

Current Fiscal Year Performance: As we have exceeded our targets for all of the performance goals under this strategic goal, we do not plan to change our methods, policies, or anticipated levels of performance for the current fiscal year.

Program Evaluations: We conducted quality assurance reviews throughout the year to ensure that our

work was up to standards, but no specific program evaluations were conducted in this fiscal year.

Goal 2: Promote USDA's conformity with the applicable principles, standards, and related requirements by fostering improvements in financial systems and financial reporting, which will enhance the Department's fulfillment of its fiduciary responsibilities.

Objective: Identify system, control, or compliance weaknesses, which preclude the safeguarding and accountability over funds, property, and other assets.

Key Performance Goals

<u>Foster improvements in financial systems and financial reporting by timely issuing financial statement audits.</u>
Increase the percentage of financial statement audits issued by March 1.
Target: 42%
Actual: 100%
<u>Reduce noncompliance with the applicable principles, standards, and related requirements in the Department's financial systems and financial reporting.</u>
Monetary results of financial statement adjustments (dollars in billions).
Target: \$7.50
Actual: \$10.54
Numbers of recommendations to strengthen financial controls and foster compliance with laws and regulations.
Target: 25
Actual: 49

1999 Data: We are confident that the data provided in support of the above performance measures are accurate and reliable. The information was obtained through reports generated by our CAPTAIN system and by direct reference to the financial statement audit reports prepared by OIG.

Analysis of Results: OIG achieved the first performance goal by issuing financial statement audit reports on all of the assessable mission areas and agencies within USDA by March 1, 1999. We believe this is a significant achievement, as it reflects a high level of cooperation and interaction with USDA mission areas and agencies on very technical issues. This was necessary in order to coordinate the development and delivery of the agencies' financial and supporting documentation so that OIG could complete its audit work by the March 1 target date.

Our second performance goal was to reduce noncompliance with applicable principles, standards, and related requirements in the Department's financial systems and financial reporting by identifying instances of noncompliance and ensuring that financial statement adjustments were identified and recorded. Our target was to identify at least \$7.5 billion in such necessary adjustments based on empirical data. The actual identification was \$10.54 billion; one USDA agency's dramatic and unforeseen staffing shortages resulted in significant accounting deficiencies. Although this staffing condition has now been corrected, we need to recognize that the Department is in a period of extraordinary transition in terms of its accounting and financial management systems. New systems are being implemented that fulfill governmental accounting requirements and standards. While this bodes well for the future, it carries near-term exposure to substantial misstatements while "bad data"--unsupported information long retained in the current systems--are converted to the new. Although the amount of misstatements should ultimately decline, it is incumbent upon OIG to identify and report on any irregularities that may emanate from the conversion.

We forecasted that 25 recommendations would be made in our financial statement audit reports to strengthen financial controls and foster compliance with laws and regulations. We exceeded our target by providing 49 such recommendations in FY 1999, demonstrating the need for OIG's involvement in this area. We expect that the successful implementation of these recommendations will reduce the number of such recommendations in ensuing fiscal years as compliance within the Department with the applicable principles, standards, and related requirements improves. The ultimate positive outcome of this effort should be the ability of OIG to provide unqualified audit opinions on all of the Department's financial statements.

Current Fiscal Year Performance: As we exceeded our targets for the performance goals under this strategic goal, we do not anticipate making any changes in our performance or target levels in the current fiscal year.

Program Evaluations: We conducted quality assurance reviews throughout the year to ensure that our work met appropriate standards, but no specific program evaluations in this area were conducted during FY 1999.

Goal 3: Promote program integrity by detecting criminal activity involving programs and personnel.

Objectives: (1) Identify and respond to potential criminal violations impacting the Department, (2) identify potential misuse of USDA funds, and (3) identify instances of serious USDA employee misconduct.

Key Performance Goals

Investigation of fraud within USDA programs.

Number of fraud reports of investigation issued.

Target: 1,000

Actual: 515

Percentage of total reported fraud investigations resulting in criminal prosecutions.

Target: 44%

Actual: 42%

Percentage of total reported fraud investigations resulting in fines, penalties, recoveries, restitutions, cost avoidances, and other payments.

Target: 55%

Actual: 56%

Number of employee misconduct reports of investigation issued.

Target: 85

Actual: 40

Percentage of total reported employee misconduct investigations resulting in corrective or disciplinary actions.

Target: 55%

Actual: 100%

1999 Data: The 1999 data is final and reliable. The information for the fiscal year is derived from CAPTAIN, which contains both program and performance data that are updated daily. Reports to accumulate the information for these performance measures have been developed and tested within CAPTAIN to ensure accuracy.

Analysis of Results: OIG met and exceeded two performance goals involving fines, penalties, monetary recoveries, and other payments and employee misconduct corrective actions. Although the other goals were not met, OIG continues to dedicate available resources to meet investigative priorities. In order to provide maximum benefits to the Department, Congress, and the public, OIG had to be flexible and shift its limited investigative personnel to address unexpected priority investigative issues. For FY 1999, we estimated the number of fraud investigative reports to be 1,000; however, the actual number issued was only 515. The primary factor in our not achieving this goal was the lack of investigative resources available to meet our projected target. The estimate was based upon an expectation of a substantial increase in our criminal investigator staffing level. When the staffing level increase did not materialize, the performance indicator was not appropriately adjusted.

The lower number of investigative reports issued is also attributable to additional secondary factors besides reduced staffing. In FY 1999, OIG implemented three Presidential initiatives, with each focusing on a particular segment of criminal activity within the Department's programs. One ongoing initiative, Operation Talon, which has led to the arrest of thousands of fugitives who were or had been on food stamps was recommended by Congress in our last appropriations bill. The resources required to conduct this investigative initiative, as well as the others, reduced the resources available to conduct investigations of criminal activity in other programs of the Department. OIG also conducted several lengthy investigations of criminal activities involving public health and safety, such as the illegal sale of contaminated meat products, which further reduced the available staffing.

Our second and third performance indicators concerning the number of fraud investigations resulting in criminal prosecutions and monetary results are derived from the number of fraud investigation reports closed in FY 1999. In our second performance indicator, we projected that 44 percent of our closed fraud reports would result in prosecution. We came within 2 percentage points of that goal. We exceeded our third performance indicator of 55 percent by 1 percent. Our fourth performance indicator is a direct result of the number of employee misconduct reports issued in FY 1999. We estimated that 85 employee investigative reports would be issued in FY 1999. We issued 40 reports. In our fifth performance indicator, we projected that 55 percent of employee misconduct investigations would result in corrective and disciplinary actions. In fact, all employee misconduct investigations resulted in such actions.

Description of Actions and Schedules: Two of our five performance indicators/measures were met under this strategic goal. Of those not met, three (fraud reports issued, criminal prosecutions, and personnel misconduct reports issued) were due to a lack of investigative resources. As mentioned above, because of limited resources, OIG could not conduct the projected number of investigations. The goal for fraud investigations was just 2 percentage points off, which statistically is insignificant. Consequently, we do not plan to change our investigative criteria but will have to reduce significantly the performance target for fraud reports of investigations to be issued. No additional actions or schedules are required.

Current Fiscal Year Performance: As previously stated, we do not plan to revise our investigative criteria for initiating investigations but will have to adjust future performance targets for the projected number of investigations to be conducted to reflect funding allocation.

Program Evaluations: OIG has an ongoing evaluation program to ensure the investigation program is effective. The field structure of OIG/Investigations was reorganized during FY 2000 to increase oversight of investigative operations and boost productivity. Goal 3 of this Annual Performance Report and our FY 2000 and 2001 Annual Performance Plans was modified to accurately reflect our criminal investigative activities. The initial version of the goal was to promote program integrity by detecting fraud, waste, and abuse in the Department to provide assurance that legal and regulatory requirements are met. The revised Goal 3 is to promote program integrity by detecting criminal activity involving USDA programs and its personnel. It was refined to focus our criminal investigative activities on programs and personnel instead of the previous broader version, which referred to assurance that legal and regulatory

requirements were met.